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UTELITE CORPORATION

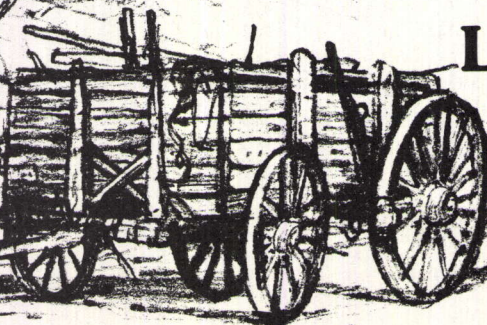
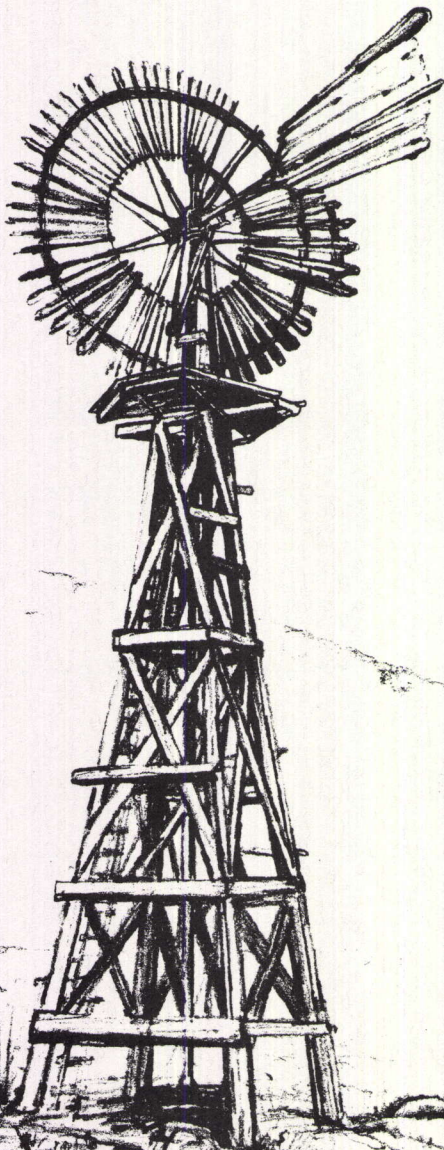
Financial Statement

December 31, 1990

Lynn M. Carlson & Co.

CERTIFIED PUBLIC ACCOUNTANTS

175 SOUTH WEST TEMPLE
SUITE 710
SALT LAKE CITY, UTAH 84101
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To the Board of Directors
Utelite Corporation
Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities--income tax basis of **Utelite Corporation** (an S corporation) as of December 31, 1990, and the related statements of revenues and expenses--income tax basis, retained earnings--income tax basis and cash flows--income tax basis for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of **Utelite Corporation**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

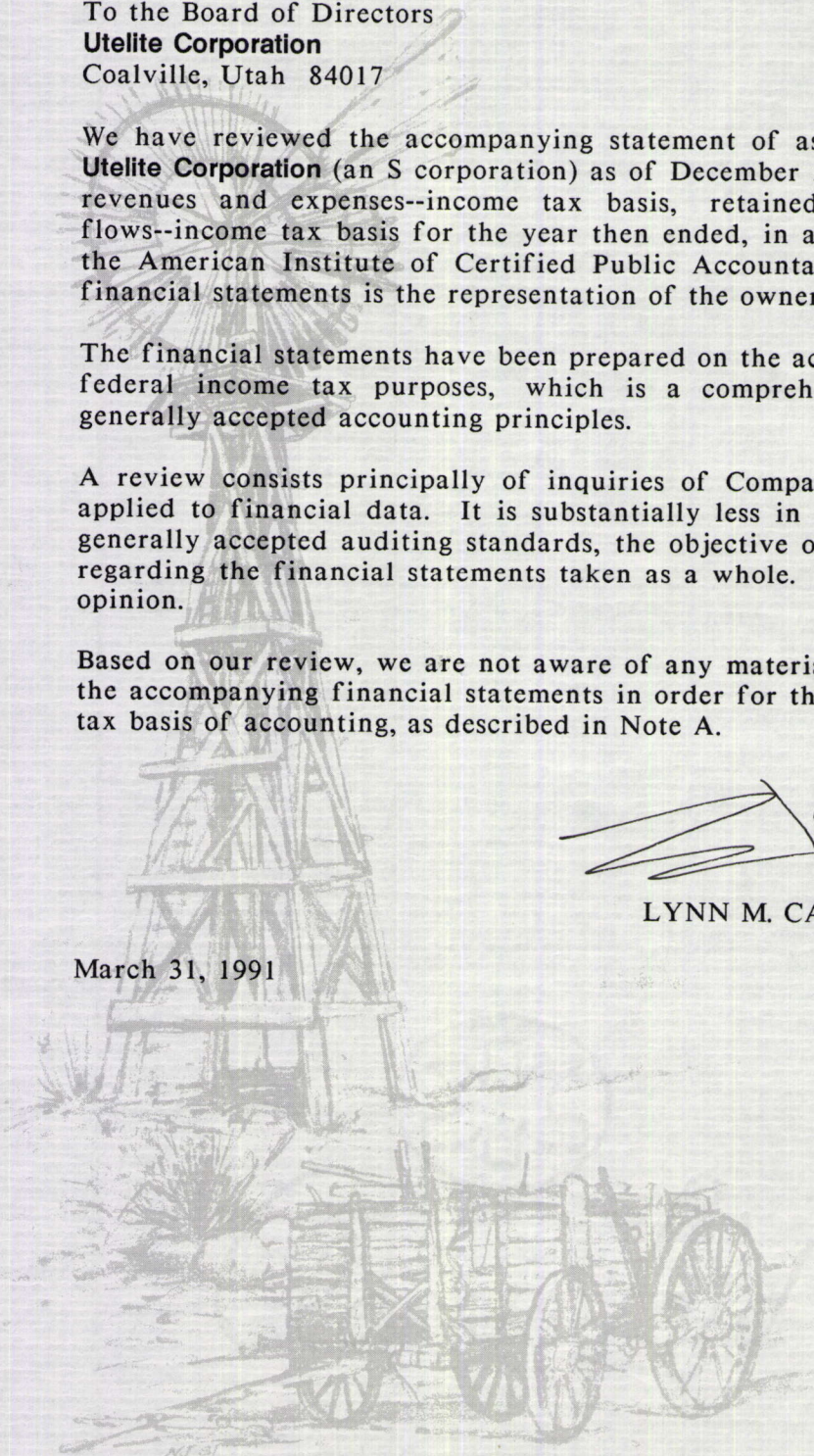
A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.



LYNN M. CARLSON & CO.

March 31, 1991



UTELITE CORPORATION
STATEMENT OF ASSETS, LIABILITIES & EQUITY—INCOME TAX BASIS
December 31, 1990

ASSETS

CURRENT ASSETS

Cash	\$ 634,309.79
Trade Accounts Receivable	369,024.29
Employee Accounts Receivable	283.27
Material in Process	168,673.72
Notes Receivable--Current	6,977.64
Notes Receivable Shareholder--Current	<u>17,344.00</u>

TOTAL CURRENT ASSETS 1,196,612.71

PROPERTY AND EQUIPMENT

Land	31,791.10
Buildings	272,825.52
Plant Machinery & Equipment	2,022,674.83
Pollution Control Equipment	232,183.35
Machinery	718,435.10
Autos, Trucks, Trailers	74,116.32
Office Equipment	48,360.36
Less Accumulated Depreciation	<u>(2,426,736.87)</u>
	973,649.71

OTHER ASSETS

Notes Receivable--LT	23,392.13
Notes Receivable Shareholder--LT	20,242.03
Performance & Payment Bond	<u>5,439.00</u>
	<u>49,073.16</u>

\$2,219,335.58
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See accompanying notes and accountant's report.

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 134,684.44
Accrued Payroll Taxes	<u>6,778.55</u>

TOTAL CURRENT LIABILITIES	141,462.99
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STOCKHOLDERS' EQUITY

Common Stock, Par Value \$1.00	164,758.00
500,000 Shares Authorized	
164,758 Shares Issued of which	
55,443 are Held in Treasury	
Premium on Capital Stock	56,366.70
Treasury Stock	(55,443.00)
Retained Earnings	<u>1,912,190.89</u>
	<u>2,077,872.59</u>

\$2,219,335.58
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See accompanying notes and accountant's report.

Classic Land

UTELITE CORPORATION
STATEMENT OF REVENUE AND EXPENSES—INCOME TAX BASIS
December 31, 1990

SALES	\$4,246,351.68
COST OF SALES	
Inventory Adjustment	(166,573.72)
Direct Labor	634,729.15
Plant Power & Utilities	98,432.94
Kiln Fuel	430,272.53
Delivery Expense	1,365,242.17
Small Tools	9,023.65
Supplies	23,887.54
Repairs & Maintenance	252,270.50
Fuel & Oil	44,414.04
Raw Material Royalties	17,918.02
Lab & Testing	<u>4,910.07</u>
	<u>2,714,526.89</u>
GROSS PROFIT	1,531,824.79
EXPENSES	
Marketing & Promotion	10,089.19
Employee Benefits	85,231.28
Payroll Taxes	71,227.21
Advertising	15,511.29
Travel & Sales	16,467.50
Insurance	10,205.15
Telephone	13,217.31
Legal & Professional	48,955.11
Office Supplies & Postage	13,684.04
Taxes & Licenses	24,674.37
Auto Allowance & Expense	10,561.57
Miscellaneous & Bank Charges	3,784.87
Bad Debts	894.76
Dues, Subscriptions	8,179.14
Training	5,543.26
Depreciation	250,367.05
Management & Accounting	6.70
Rent	5,120.41
Air Pollution Control	3,952.08
ESCSI	10,183.27
Depletion	<u>106,370.31</u>
	<u>714,225.87</u>
INCOME FROM OPERATIONS	817,598.92
OTHER INCOME (EXPENSE)	
Interest & Dividend Income	42,076.99
Gain (Loss) on Sale of Assets	150.00
Interest Expense	(<u>241.52</u>)
	<u>41,985.47</u>
NET INCOME	\$ 859,584.39 =====

See accompanying notes and accountant's report.

UTELITE CORPORATION
STATEMENT OF RETAINED EARNINGS—INCOME TAX BASIS
December 31, 1990

ACCUMULATED ADJUSTMENTS ACCOUNT

Balance, January 1, 1990	\$ 860,473.20
Taxable Income	859,584.39
Distributions	(<u>489,564.12</u>)
Balance, December 31, 1990	1,230,493.47

PREVIOUSLY TAXED INCOME

Balance, January 1, 1990	22,407.87
Distributions in Excess of the Accumulated Adjustments Account	(<u> .00</u>)
Balance, December 31, 1990	22,407.87

OTHER RETAINED EARNINGS

Balance, January 1, 1990	552,919.24
Allowance for % Depletion	<u>106,370.31</u>
Balance, December 31, 1990	<u>659,289.55</u>

TOTAL RETAINED EARNINGS, DECEMBER 31, 1990	\$1,912,190.89 =====
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See accompanying notes and accountant's report.

UTELITE CORPORATION
STATEMENT OF CASH FLOWS—INCOME TAX BASIS
For the Twelve Months Ended December 31, 1990

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 817,748.92
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
Depreciation	250,367.05
Depletion	106,370.31
Gain on Sale of Assets	(150.00)
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	48,825.93
Increase in Inventory	(166,573.72)
Increase in Accounts Payable & Accrued Expenses	<u>76,395.80</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,132,984.29

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Dividend Income	42,076.99
Principal Received on Sunbeam Coal Purchase Contract	2,057.94
Interest Expense	(241.52)
Principal Received on Shareholder Loan	35,919.97
Advances to Employees	580.51
Capital Expenditures	(512,279.27)
Proceeds from Sale of Assets	150.00
Bid Bond Returned	<u>2,358.75</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	(429,376.63)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payment on Land Purchase Contract	(5,000.00)
Dividends Paid	(<u>489,564.12</u>)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(<u>494,564.12</u>)

NET INCREASE IN CASH AND CASH EQUIVALENTS	209,043.54
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>425,266.25</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 634,309.79
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See accompanying notes and accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Basis of Accounting

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

Allowance for Doubtful Accounts

No reserve for bad debts has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

Inventories

Inventories are valued at the lower of cost or market under the first-in, first-out (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

Depreciation

Property, plant and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

NOTE B—PROFIT SHARING PLAN

The Company maintains a profit sharing plan for its employees. Contributions to the plan are based on eleven cents (\$.11) per yard of product sold in the quarters that the Company is profitable for the first two quarters of the year. Effective July 1, 1990 an additional \$.0225 per yard of product sold will be contributed to the profit sharing plan regardless of whether the company is profitable or not. Another \$.0225 per yard of product produced will also be contributed in quarters that the company is profitable.

Profit sharing contributions expensed as an employee benefit in these financial statements are \$27,718.43.

NOTE C—MAJOR CUSTOMER

Three customers account for approximately 50% of the company's product sales. One of the three customers accounts for approximately 29% of the company's product sales.